



INDIANA STATE TEACHERS' RETIREMENT FUND HELPFUL HINTS FOR UNDERSTANDING YOUR RETIREMENT BENEFIT ESTIMATE



Thank you for requesting an estimate of your retirement benefits. Please refer to the information listed below for a brief description of the items found on your estimate. For additional information, you may also consult three other sources: you may (1) visit our home page on the World Wide Web at www.in.gov/trf to visit the link to our "Member's Handbook," (2) contact our Member Service Center at either (317) 232-3860 [local] or toll-free at (888) 286-3544, or (3) send the Fund an electronic mail message at trf@state.in.us.

The following general approach is used to prepare an estimate:

1. We use the latest salary information provided to us by your employer.
2. We use your salary estimates for future projections.
3. If you do not provide us with future estimated salaries, we will use the last salary that we have received for future estimated salaries.
4. Pursuant to Indiana law, we cannot use more than \$2,000 of severance in calculating your average salary.
5. We can provide computerized estimates only up to and including school year 2004.
6. If you would like an estimate that includes your projected payment using the Social Security Integration option, you must provide us with a copy of your Social Security estimate for age 62. To obtain an estimate from the Social Security Administration call (800) 772-1213.

Please note that this estimate is based on uncertified data. Salaries, service credit, dates of birth, and other data must be certified at the time you apply for benefits. Due to disparate Annuity Savings Account investment approaches used by our members, Annuity Savings Account income is not estimated beyond the most recent quarter. Benefit estimates calculated for different members may disagree due to the performance of their individual annuity savings accounts. **Any estimate that you receive from us between now and your final certification will be an approximate calculation of your ultimate benefit.**

ALTERNATIVES – There are several Alternatives.

- ALTERNATIVE I:** By choosing Alternative I, the total amount of your Annuity Savings Account is paid as a monthly benefit. Other than this monthly benefit, you will not receive a distribution from your Annuity Savings Account.
- ALTERNATIVE II-A:** This alternative allows you to have the total amount of your Annuity Savings Account (less the mandatory withholding for federal income tax) paid directly to you.
- ALTERNATIVE II-B:** This alternative allows you to receive all of the taxable portion of your Annuity Savings Account paid in the form of a direct rollover to an Individual Retirement Account or a Qualified Retirement Plan that has provisions allowing it to accept the rollover on your behalf. The after-tax contributions in your Annuity Savings Account balance as it existed on December 31, 1986 will be paid directly to you.
- ALTERNATIVE II-C:** Election of this alternative permits you to pay yourself a portion of the taxable amount in your Annuity Savings Account and move the balance, in the form of a direct rollover, to an IRA or Qualified Retirement Plan. The Plan must have provisions allowing it to accept the rollover on your behalf. You may pay yourself any amount as long as at least \$500 is rolled over to an IRA or Qualified Retirement Plan. You will receive one check made payable to the rollover company and another made payable to you. The check made payable to you will represent the amount you wished to receive (less mandatory federal withholding tax) plus your after-tax contributions in your Annuity Savings Account balance as it existed on December 31, 1986.
- ALTERNATIVE III:** This alternative permits you to receive a distribution of an amount equal to your after-tax contributions in your Annuity Savings Account balance as it existed on December 31, 1986 and the remainder of the account as a monthly benefit.
- ALTERNATIVE IV-A:** Choosing this alternative allows you to elect to defer distribution of your Annuity Savings Account until a later date. Your account will continue to be invested with the Fund under the same guidelines applicable to an Annuity Savings Account. Changes to the allocation strategy of your Annuity Savings Account may be made quarterly.
- ALTERNATIVE IV-B:** This alternative allows you to receive a distribution of an amount equal to your after-tax contributions in your Annuity Savings Account balance as it existed on December 31, 1986 and defer distribution of the remainder of your Annuity Savings Account until a later date. Changes to the allocation strategy of your Annuity Savings Account may be made quarterly.

The election of Alternatives I, II-A, II-B, II-C, and III may not be changed after benefits begin. If you select Alternative IV-A or IV-B, you may only change your election by ending your participation in the Alternative. However, you may change the investment strategy of your annuity savings account.

RETIREMENT OPTIONS – You may select only one of the six basic options. However, you may select to take an A-4 option in combination with any of the six listed options.

OPTION A-1: REGULAR FORM OF RETIREMENT

You will receive a monthly benefit for life. If you die before receiving benefits for five years, your beneficiary will receive either your monthly benefit for the remainder of those five years or the present value of those remaining payments in a lump sum.

OPTION A-2: STRAIGHT LIFE WITHOUT A GUARANTEED PERIOD

You will receive a monthly benefit for life, but there are no payments to anyone after your death.

OPTION A-3: MODIFIED CASH REFUND ANNUITY

This option is not available for those who elect Alternative II or IV. Like Option A-1, you will receive a monthly benefit for life. This benefit will be based on your age, salary, and service (employer pension amount) and the amount of money in your Annuity Savings Account. If you die before receiving benefits for five years, your beneficiary will receive either a monthly benefit (the employer pension amount only) for the remainder of those five years, or the present value of those remaining payments in a lump sum. Also upon your death, (whether you die before or after receiving five years of benefits) your beneficiary will receive a single payment of the amount remaining in your Annuity Savings Account. Please note your Annuity Savings Account balance is reduced with each monthly benefit paid. Thus, if you die after the account has been reduced to zero, there will be no Annuity Savings Account distribution to your beneficiary.

OPTION B-1: 100% SURVIVORSHIP

You will be paid a monthly benefit for life. After your death, the same monthly benefit will be paid to your co-survivor for their life.

OPTION B-2: 66 2/3% SURVIVORSHIP

You will be paid a monthly benefit for life. After your death, a monthly benefit in the amount of two-thirds of your benefit will be paid to your co-survivor for their life.

OPTION B-3: 50% SURVIVORSHIP

You will be paid a monthly benefit for life. After your death, a monthly benefit in the amount of one-half of your benefit will be paid to your co-survivor for their life.

OPTION A-4: SOCIAL SECURITY INTEGRATION

If you retire between the ages of 50 and 62, you may select this option and integrate your Fund benefit with your expected Social Security benefit at age 62. The Fund will pay you a larger monthly benefit before age 62. *However, at age 62, your benefit will be reduced or terminated depending on your estimated monthly benefit at age 62 from Social Security.* The reduced amount, when added to age 62 Social Security benefits, will be near the amount received prior to age 62 from the Fund. The reduction will occur whether or not you apply for Social Security benefits at age 62. Your benefits from Social Security are in no way affected by choosing this option. You may select this option in combination with any of the above-listed options.

INCOME TAX TREATMENT OF BENEFITS

Tax treatment of Annuity Savings Account income is in accordance with the General Rule set forth in the Internal Revenue Service (IRS) tables. The General Rule allows you to recover your “basis” over your life expectancy on a pro-rata basis if you elect to take distribution of your Annuity Savings Account as an annuity.

In accordance with the General Rule set forth in the IRS tables, any “basis” that existed on December 31, 1986 can be recovered tax-free.